



## THE CITY OF SAN DIEGO

DATE ISSUED: June 8, 2011

REPORT NO: RA-11-22

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Docket of June 14, 2011

SUBJECT: Redevelopment Agency Fiscal Year 2012 Budget

### REQUESTED ACTION:

Should the Redevelopment Agency:

1. Approve the Fiscal Year 2012 Redevelopment Agency budget for:
  - a) projects administered by the Centre City Development Corporation;
  - b) projects administered by the Southeastern Economic Development Corporation;
  - c) projects administered by the City Redevelopment Department;
  - d) the administration of Centre City Development Corporation; and
  - e) the administration of Southeastern Economic Development Corporation?
2. Determine that the planning and administration expenses included in the Low- and Moderate-Income Housing Funds in the Fiscal Year 2012 Redevelopment Agency Budget are necessary and in proportion to the funding for the production, improvement, and/or preservation of affordable housing for low- and moderate-income households?

### STAFF RECOMMENDATION:

It is recommended that the Redevelopment Agency adopt resolutions to:

1. Approve the Fiscal Year 2012 Redevelopment Agency budget for:
  - a) projects administered by the Centre City Development Corporation;
  - b) projects administered by the Southeastern Economic Development Corporation;
  - c) projects administered by the City's Redevelopment Department;
  - d) the administration of Centre City Development Corporation; and
  - e) the administration of Southeastern Economic Development Corporation.
2. Determine that the planning and administration expenses included in the Low- and Moderate-Income Housing Funds in the Fiscal Year 2012 Redevelopment Agency Budget are necessary and in proportion to the funding for the production, improvement, and/or preservation of affordable housing for low- and moderate-income households.



### Redevelopment Agency

1200 Third Avenue, Suite 1400, MS 56D • San Diego, CA 92101-4110  
Tel (619) 236-6700 Fax (619) 533-3219



## SUMMARY:

### Agency Organization

The Redevelopment Agency of the City of San Diego was created by the City Council in 1958 to alleviate conditions of blight in older, urban areas. The Redevelopment Agency is able to use special legal and financial mechanisms to eliminate blight and improve economic and physical conditions in designated areas of the City. This authority is conferred on the Agency through the state of California's Health and Safety Code (Section 33000-et.seq.), also known as the California Community Redevelopment Law.

The City Council serves as the Board of Directors of the Redevelopment Agency; the Mayor serves as the Executive Director. Project implementation is provided through operating agreements with:

- The City Redevelopment Department,
- Centre City Development Corporation (CCDC),
- Southeastern Economic Development Corporation (SEDC).

### Centre City Development Corporation

In 1975 the City Council established the Centre City Development Corporation (CCDC) as a non profit public corporation to manage redevelopment projects and activities in the downtown area. CCDC makes recommendations and reports to the Agency and Council on such matters. The Corporation is governed by the terms of the corporation bylaws and its operating agreement with the San Diego Redevelopment Agency.

CCDC administers two adopted project areas:

- Center City, and
- Horton Plaza.

### Southeastern Economic Development Corporation

In 1982 the City Council established the Southeastern Economic Development Corporation (SEDC) as a non profit public corporation to manage redevelopment and economic development projects and activities in the southeastern areas of San Diego. SEDC makes recommendations and reports to the Agency and Council on such matters. The Corporation is governed by the terms of the corporation bylaws and its operating agreement with the San Diego Redevelopment Agency.

The four redevelopment project areas managed by SEDC were recently merged into a single consolidated project area known as the Southeastern San Diego Merged Redevelopment Project Area.

### City Redevelopment Department

The Redevelopment Department manages redevelopment activities within redevelopment project areas throughout the City. The division also performs general Redevelopment Agency administration including City and corporation activities. The City Redevelopment Department



coordinates budget and State reporting requirements and maintaining the Agency's meeting docket, official records and website.

The City Redevelopment Department administers the following eleven adopted project areas:

- Barrio Logan
- City Heights
- College Community
- College Grove
- Crossroads
- Grantville
- Linda Vista
- Naval Training Center
- North Bay
- North Park
- San Ysidro

#### Mission and Goals

The Agency's mission is to revitalize redevelopment project areas through community collaboration, public/private partnerships, public and private development activities and improvements in support of the City's General Plan. The Agency has established the following five overarching goals to accomplish this mission:

1. **Eliminate Blight:** To eliminate blight and urban decay.
2. **Improve Public Infrastructure:** To provide, upgrade, restore, and enhance public infrastructure and facilities.
3. **Increase Housing Opportunities:** To increase the supply of housing, improve housing conditions, and increase affordable housing opportunities.
4. **Economic Development:** To promote economic development activities that retain and expand business and employment opportunities.
5. **Neighborhood Preservation:** To enhance and preserve neighborhood character, and rehabilitate historical properties.

The Agency endeavors to achieve these goals through support of community planning activities, public outreach, and through sound fiscal management practices, including the leveraging of Agency resources and enhancing private investments.

As a part of our efforts to improve and standardize the budget of the respective entities (City Redevelopment, CCDC, and SEDC) each respective budget contains Work Plans that demonstrate the actions planned to achieve the Agency's goals.

### Cooperation Agreement

On February 28, 2011 the Agency and the City entered into a certain *Cooperation Agreement for Payment of Costs Associated with Certain Redevelopment Agency Funded Projects* (Cooperation Agreement). Pursuant to this Cooperation Agreement, the Agency's Fiscal Year 2012 budget includes payments to the City to fund certain redevelopment projects. The Agency's budget documents identify these projects as Cooperation Agreement projects. These projects constitute the Cooperation Agreement budget and are a budgetary commitment of the City for Fiscal Year 2012. The Cooperation Agreement budget (City budget) is 100% funded by the Redevelopment Agency and is not an obligation of the City's General Fund.

The Cooperation Agreement account (City Account) was initially funded in March of 2011 and will receive additional funding through Agency budget allocations in Fiscal Year 2012. A summary of the Cooperation Agreement budget is provided in the table below:

| COOPERATION AGREEMENT FOR PAYMENT OF COSTS ASSOCIATED WITH CERTAIN REDEVELOPMENT<br>AGENCY FUNDED PROJECTS<br>(A Component Budget of the City of San Diego)<br>FISCAL YEAR 2012 BUDGET SUMMARY<br>(In Thousands) |                    |                        |                  |                   |
|--|--------------------|------------------------|------------------|-------------------|
| Redevelopment<br>Project Area /<br>Source  | Managing Entity    | Estimated<br>Carryover | FY 12 Budget     | Total             |
| Centre City  | CCDC               | \$ 191,074             | \$ 45,200        | \$ 236,274        |
| Horton Plaza   | CCDC               | 13,642                 | 2,700            | 16,342            |
| SEDC   | SEDC               | 9,103                  | 2,433            | 11,536            |
| Barrio Logan   | City Redevelopment | 525                    | 216              | 741               |
| City Heights   | City Redevelopment | 16,571                 | -                | 16,571            |
| College Community  | City Redevelopment | 1,012                  | -                | 1,012             |
| College Grove  | City Redevelopment | 1,644                  | 376              | 2,020             |
| Crossroads   | City Redevelopment | 6,366                  | 757              | 7,123             |
| Grantville   | City Redevelopment | 1,352                  | -                | 1,352             |
| Linda Vista  | City Redevelopment | 296                    | 22               | 318               |
| NTC  | City Redevelopment | 6,948                  | 752              | 7,700             |
| North Bay  | City Redevelopment | 10,962                 | 3,606            | 14,568            |
| North Park   | City Redevelopment | 6,476                  | -                | 6,476             |
| San Ysidro   | City Redevelopment | 6,970                  | 1,102            | 8,072             |
| Pooled Housing   | City Redevelopment | 13,448                 | -                | 13,448            |
| <b>Total</b>   |                    | <b>\$ 286,389</b>      | <b>\$ 57,164</b> | <b>\$ 343,553</b> |



### Agency Budget Summary

The budgets for each of the redevelopment component organizations are attached to this report. The following information summarizes the three budgets to reflect the combined Redevelopment Agency Budget for Fiscal Year 2012.

### Revenues

The Redevelopment Agency's Fiscal Year 2012 combined revenue is \$193.3 million. In addition, an estimated \$82.1 million in revenue is anticipated to be carried over from the prior year for multi-year projects, resulting in a total of \$275.4 million available to the Agency in Fiscal Year 2012. Due to the size and scope of many redevelopment projects, revenues are received in one year and expended over the course of two to three (or more) years. Sources of revenues include tax increment, interest and developer proceeds.

The Agency's major source of revenue is tax increment, which is generated from the growth in the assessed value of properties within each project area. The Fiscal Year 2012 budget includes \$172.3 million in tax increment revenue. The Agency has statutory and contractual obligations that dictate the use of portions of the tax increment revenue it receives:

- California redevelopment law requires the Agency to set-aside 20% of the tax increment revenue that it receives from each project area for low and moderate income housing projects;
- Some project areas that were adopted prior to 1994 are subject to tax-sharing agreements with the school districts, the County, and other impacted taxing entities within the project area; and
- Project areas adopted since January 1, 1994 are subject to a statutory, three-tiered tax-sharing formula.

Tax increment to be generated in Fiscal Year 2012 is estimated to reach \$172.3 million, down 2.0% from the 175.8 million originally budgeted for Fiscal Year 2011. A significant amount of this revenue is committed to tax-sharing obligations, debt service and loan repayments. After these obligations and administrative costs are met, net new tax increment revenue available to the Agency for public and private development in Fiscal Year 2012 is estimated to be \$65.8 million. The Agency is committing \$48.8 Million of this revenue to the Cooperation Agreement.

In addition to tax increment, the Agency's Fiscal Year 2012 revenue includes \$7.3 million in onetime prior year revenue adjustments, \$7.2 million in interest and lease revenue, and \$2.1 million in developer proceeds.

### Expenditures

The Agency's combined Fiscal Year 2012 expenditure budget is \$193.3 million, with an additional \$82.1 million in expenditures utilizing carryover revenue for a total expenditure availability of \$275.4 million. Within the FY 2012 Budget of 193.3 million, \$51.6 million is allocated to capital projects (including Cooperation Agreement contributions); \$14.2 million is allocated to low and moderate income housing projects (including Cooperation Agreement

contributions), \$20.0 million to administration, \$27.7 million allocated to tax-sharing obligations, \$61.6 million allocated for debt service, \$3.8 million allocated to CDBG loan repayments, and 1.0 million allocated to City general debt repayments. Additionally the Agency is making contributions against PETCO Park and Convention Center Phase II expenditures. Revenues and expenditures for the Agency as a whole are summarized in the following table.

| Redevelopment Agency of the City of San Diego<br>FISCAL YEAR 2012 BUDGET SUMMARY<br>(In Thousands)  |                   |                  |                  |                   |
|---|-------------------|------------------|------------------|-------------------|
|   | CCDC              | SEDC             | City<br>Redev    | Agency<br>Total   |
| <b>REVENUE</b>  |                   |                  |                  |                   |
| Tax Increment - Non-Housing   | \$ 97,611         | \$ 4,549         | \$ 35,619        | \$ 137,779        |
| Tax Increment - Housing   | 24,403            | 1,182            | 8,882            | 34,467            |
| Developer Proceeds/Advances   | 1,701             | -                | 391              | 2,092             |
| Interest/Lease/Notes/Other  | 7,088             | 26               | 59               | 7,173             |
| Revenue from Other Agencies   | 4,442             | -                | -                | 4,442             |
| Prior Year Revenues/Adjustments   | 4,816             | 2,481            | -                | 7,297             |
| Subtotal FY 2012 Revenue  | \$ 140,060        | \$ 8,238         | \$ 44,951        | \$ 193,250        |
| Estimated Carryover   | 45,231            | 10,068           | 26,832           | 82,131            |
| <b>Total Revenue</b>  | <b>\$ 185,291</b> | <b>\$ 18,306</b> | <b>\$ 71,783</b> | <b>\$ 275,381</b> |
| <b>EXPENDITURES</b>   |                   |                  |                  |                   |
| Capital Projects (Agency Projects)  | \$ 10,204         | \$ -             | \$ 4,367         | \$ 14,571         |
| Capital Projects (Cooperation Agreement Projects)   | 29,947            | 1,921            | 5,178            | 37,046            |
| Low/Mod Housing (Agency Projects)   | -                 | -                | 2,466            | 2,466             |
| Low/Mod Housing (Cooperation Agreement Projects)  | 10,769            | 512              | 452              | 11,733            |
| Administration & City Services  | 11,962            | 2,074            | 5,981            | 20,017            |
| Tax Sharing   | 17,000            | 466              | 10,252           | 27,718            |
| Debt Service  | 44,356            | 2,909            | 14,333           | 61,598            |
| CDBG Debt Repayment to City   | 2,500             | 346              | 916              | 3,762             |
| General Debt Repayment to City  | -                 | 10               | 1,007            | 1,017             |
| PETCO Park  | 11,322            | -                | -                | 11,322            |
| Convention Center Phase II  | 2,000             | -                | -                | 2,000             |
| Subtotal FY 2012 Expenditures   | \$ 140,060        | \$ 8,238         | \$ 44,951        | \$ 193,250        |
| Estimated Carryover   | 45,231            | 10,068           | 26,832           | 82,131            |
| <b>Total Expenditures</b>   | <b>\$ 185,291</b> | <b>\$ 18,306</b> | <b>\$ 71,783</b> | <b>\$ 275,381</b> |
| The revenue and expense categories in this table were established to provide a uniform comparison of the three managing entities' budgets. As a result, in some instances the categories in this table and/or the amounts stated within the categories necessarily differ from the equivalent presentations in the respective entities' budget documents. The budgets however do match and are the same in both presentation formats. |                   |                  |                  |                   |



### Affordable Housing

Redevelopment Law requires the Agency to set-aside 20% of the tax increment revenue from each project area into a separate fund for low and moderate income housing<sup>1</sup>. The Agency is also required to ensure that at least 15% of all new and substantially rehabilitated dwelling units developed within a redevelopment project area by public or private entities or persons other than the Agency be restricted to low or moderate income households. Not less than 40% of these dwelling units shall be restricted to very low income households. The Agency is also required to ensure that at least 30% of all new and substantially rehabilitated dwelling units developed by the Agency be restricted to low or moderate income households. Not less than 40% of these dwelling units shall be restricted to very low income households. In addition, replacement units must be developed, on essentially a one to one basis, in the event any low and moderate income housing units are demolished as part of a redevelopment project activity. The Agency and its corporations work diligently to leverage the 20% set-aside funds with other affordable housing programs and funds.

### Low and Moderate Income Housing Fund Policy and Transaction Guidelines

On May 20, 2008 the Redevelopment Agency Board passed Resolution R-04282 establishing the Low and Moderate Income Housing Fund Policy and Transaction Guidelines (Guidelines). These Guidelines, supported jointly by the Redevelopment Department, CCDC, and SEDC provide basic policy and transaction guidance for development costs, developer fees, annual reserves, sources of funds and other Agency loan terms. Although every project is unique and requires flexibility, the Guidelines provide clear expectations for all project sponsors. In the event a proposed project does not conform to the Guidelines, Agency staff reports such variances to the Agency.

Resolution R-04282 authorizes the Executive Director or designee to revise the Guidelines on a periodic basis to ensure compliance with applicable law and market conditions. Over the next fiscal year, updates to the Guidelines will include updates to operating expense minimums, a clarification with regard to the general partner asset management fee, revisions to the recommended disbursement schedule for housing funds, updates to the sharing of residual receipts and refinance proceeds and a revision to the definition of affordable rents/sales prices. These revisions are not reflective of alterations in Agency policy but rather they seek to clarify existing Agency policy. The revisions also reflect changes mandated by law or tax credit regulations.

As required by the authorizing resolution, the updated Guidelines are included in the Agency's Annual Budget and are provided for reference in Attachment 4 to this report.

### Low and Moderate Income Housing Planning and Administrative Expenses

Pursuant to Section 33334.3 (d) of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.), it is the intent of the California State Legislature that the amount of money spent for planning and general administration from the Low and Moderate Income Housing Fund not be disproportionate to the amount actually spent for the cost of production. Because of this, it is necessary that the Redevelopment Agency take specific action indicating that it has determined that amounts budgeted for administrative and planning activities

<sup>1</sup> As an exception to the 20% Housing Set Aside requirement, the Gateway Center West component area of the Southeastern San Diego Merged Redevelopment Project Area is required to set aside 30% of tax increment for low and moderate income housing.



within the Agency's Low and Moderate Income Housing Funds are necessary for its plans and are in proportion to the funding to be provided for the production, improvement, and/or preservation of low-and moderate-income housing during Fiscal Year 2012. The Agency's estimated FY 2012 expenditures for administrative and planning activities charged to low-and-moderate-income housing is \$3.4 million, representing 10.0% of the FY 2012 Low and Moderate Income Housing Funds available for investment. The estimated percentage of funds utilized for planning and administration becomes 3.4% of the total when including Agency and Cooperation Agreement housing set-aside carryover funds.

#### City Loan Repayments

The Fiscal Year 2012 Budget includes an allocation of \$3.8 Million for repayments of Community Development Block Grant (CDBG) loans to the City in accord with the CDBG Repayment Agreement dated June 30, 2010. (Refer to Agency Resolution R-4525, City Council Resolution R-305920). The Agency Budget also includes a \$1.0 Million general debt repayment to the City pursuant to certain Loan Agreement dated March 1, 2011 (Reference Agency Resolution R-4638, City Resolution R-306635).

#### Administration

The consolidated Administration Budget of the Agency is \$20.0 Million. Administration expenses include staff expenses, the City's General Government Services Billing (GGSB) charge, County Redevelopment Fees, and non-personnel costs such as insurance, rent and office supplies. The budget also includes costs for services from various City departments providing services to the Agency's three operating units. The Agency reimburses the City for staff services of the Redevelopment Department, and SEDC and CCDC cover a portion of the Redevelopment Department's administrative expenses pertaining to the management and maintenance of the Agency's legislative process and records.

The administration budgets of each of the corporations are included with their memoranda to the Agency in the materials attached to this report. Also attached are project budget details, including objectives and accomplishments for each respective entity.

#### FISCAL CONSIDERATIONS:

The Fiscal Year 2012 consolidated Agency budget is \$193.3 million. The Agency anticipates \$82.1 million in carryover funds, for a total expenditure plan of \$275.4 million. Within the FY 2012 budget, \$51.6 million is allocated to capital projects (including Cooperation Agreement contributions), \$14.2 million is allocated to low and moderate income housing projects (including Cooperation Agreement contributions), \$20.0 million to administration, \$27.7 million allocated to tax-sharing obligations, and \$79.7 million is to be appropriated for debt service and various City repayments. The Fiscal Year 2012 Cooperation Agreement budget is \$57.2 Million. When combined with carryover funds, the Cooperation Agreement total expenditure plan is \$343.6 Million.



## COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

**CCDC:** On April 20, 2011 the Centre City Advisory Committee (“CCAC”) and Project Area Committee (PAC) unanimously approved the proposed budgets for the project areas administered by CCDC and the CCDC Administrative Budget. On April 27, 2011, the CCDC Board voted to 7-1 to approve the proposed budgets for the project areas administered by CCDC and the CCDC Administrative Budget. Additional outreach efforts are summarized in the attached CCDC staff report. (See Attachment 1)

**SEDC:** On April 20, 2011, the SEDC Budget and Finance Committee voted unanimously to recommend that the SEDC Board of Directors approve and recommend that the Agency Board approve the proposed Fiscal Year 2012 budget for the Southeastern San Diego Merged Redevelopment Project Area administered by SEDC and the SEDC FY 2012 Administrative Budget. On April 27, 2011, the SEDC Board of Directors voted unanimously to approve and recommend that the Agency approve the proposed Fiscal Year 2012 budget for the projects administered by SEDC and the SEDC Administrative Budget.

**City Redevelopment:** The various Project Area budgets have been presented or are scheduled to be presented to the various Project Area Committees (PACs) and/or community groups as follows: College Grove (Eastern Area Planning Committee) - May 10; Crossroads PAC - May 26; City Heights PAC – May 9; North Park PAC – May 10; North Bay PAC – July 13; San Ysidro PAC – May 24; Grantville – May 11 (Budget materials provided to the Chair of the Grantville Stakeholders Committee and the Chair of the Navajo Community Planners); College Community – June 7.

**Agency-wide:** On May 12, 2011 the Redevelopment Agency held a public hearing on the Redevelopment Agency budget, including the budgets of the project areas managed by CCDC, SEDC, and the City Redevelopment Division. On May 25, 2011 the City Budget and Finance Committee held a public hearing on the Cooperation Agreement budget.

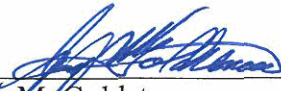
**KEY STAKEHOLDERS AND PROJECTED IMPACTS:** Residents and businesses within and near the redevelopment project areas will benefit from the improvement and enhanced quality of life resulting from the Redevelopment Agency’s investment in project area programs and activities.

Respectfully submitted,



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Janice L. Weinrick  
Deputy Executive Director  
Redevelopment Agency



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Jay M. Goldstone  
Assistant Executive Director  
Redevelopment Agency

ATTACHMENTS

1. Fiscal Year 2012 Project and Administrative Budget for the project areas managed by Centre City Development Corporation.
2. Fiscal Year 2012 Project and Administrative Budget for the project area managed by Southeastern Economic Development Corporation
3. Fiscal Year 2012 Budget for the project areas managed by City Redevelopment Department
4. Expenditure of Low and Moderate Income Housing Fund Policy and Transaction Guidelines